

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 338 – HB 1299

April 3, 2017

SUMMARY OF ORIGINAL BILL: Requires the Secretary of State (SOS) to determine if a property has been annexed by a municipality, when a review is requested by a property owner. Requires any municipality which assessed property taxes on a property which is ruled to not have been annexed by the municipality to refund all such taxes to the property owner, with interest.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – Exceeds \$500/Each Instance

Other Fiscal Impact – Any portion of repayment considered interest on refunded municipal property taxes assessed in error is considered a mandatory expense on local government.*

SUMMARY OF AMENDMENT (005731): Deletes and rewrites the bill such that the substantive changes authorize a municipality or individual property owner to petition a review of municipal boundaries by the SOS, and requires the appointment of an administrative judge (AJ) to oversee the complaint within ten days of receipt. The required repayment of municipal property taxes plus interest to certain property owners is included in the amendatory language.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Municipalities or individual property owners will be authorized to file a complaint with the SOS.
- The SOS is required to appoint an AJ to oversee the complaint.
- The filing party will be responsible for payment of a one-time \$200 docketing fee.
- It is assumed private property owners will be the filing party in all cases; as a result, there will be no increase in local expenditures associated with docketing fees.

- Municipalities will be required to provide the appointed AJ with ordinances and results of referendums on annexation.
- If a property is determined to not lie within municipal boundaries but such property has previously been assessed municipal property taxes, the taxing municipality is responsible for repayment of paid taxes, plus interest to the property owner.
- Due to multiple unknown factors, such as how many municipalities or property owners will request a review by the SOS, how many properties will be determined to lie outside municipal boundaries, how many such properties were assessed municipal property taxes in error, and the extent of any municipal property taxes to be refunded, a precise decrease in local government revenue cannot be determined, but is reasonably estimated to exceed \$500 each instance.
- The extent of any interest to be paid to property owners by municipalities is unknown due to multiple unknown factors; however, any increase in local expenditures for payment of such interest is considered mandatory.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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